

TRAVERSE CITY HOUSING COMMISSION
TRAVERSE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Traverse City Housing Commission</i>		County <i>Grand Traverse</i>
Audit Date <i>6/30/04</i>	Opinion Date <i>11/3/04</i>	Date Accountant Report Submitted to State: <i>11/26/04</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Accountant Signature <i>Barry E. Gaudette</i>		ZIP 49686	

TRAVERSE CITY HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Traverse City Housing Commission
Traverse City, Michigan

We have audited the accompanying statement of net assets of the Traverse City Housing Commission, Michigan (a component unit of the City of Traverse City) as of June 30, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Traverse City Housing Commission, Michigan, as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2004 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Traverse City Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bary E. Zauder, CPA PC

November 3, 2004

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2004
=====

The Traverse City Housing Commission, created in 1966, by the City of Traverse City provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Traverse City Housing Commission consists of four programs. The first is owned housing, consisting of 136 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 198 qualifying low-income residents for rental housing, and the Housing Commission has a fourth program that is the administration of CDBG grant monies.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,666,054. The Housing Commission's total net assets decreased by \$263,196. The decrease is due in part by the removing the fixed assets of the Madeleine's House of \$158,940 and depreciation expense of \$212,093.

Total assets of the Housing Commission were \$2,862,424 and also, there was \$403,743 of current assets and \$192,647 in current liabilities.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
June 30, 2004

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Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 403,743	\$ 363,017	\$ 40,726
Restricted cash	27,955		27,955
Property and equipment, net	<u>2,430,726</u>	<u>2,749,684</u>	<u>(318,958)</u>
Total assets	<u>\$2,862,424</u>	<u>\$3,112,701</u>	<u>\$ (250,277)</u>
Current liabilities	\$ 192,647	\$ 180,135	\$ 12,512
Noncurrent liabilities	<u>3,723</u>	<u>3,316</u>	<u>407</u>
Total liabilities	<u>196,370</u>	<u>183,451</u>	<u>12,919</u>
Net assets:			
Invested in capital assets	2,430,726	2,441,325	(10,599)
Unrestricted	<u>235,328</u>	<u>487,925</u>	<u>(252,597)</u>
Total net assets	<u>2,666,054</u>	<u>2,929,250</u>	<u>(263,196)</u>
Total liabilities and net assets	<u>\$2,862,424</u>	<u>\$3,112,701</u>	<u>\$ (250,277)</u>

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
June 30, 2004

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 332,147	\$ 345,394	\$(13,247)
Nondwelling rent	<u>24,313</u>	<u>337</u>	<u>23,976</u>
Total operating revenues	<u>356,460</u>	<u>345,731</u>	<u>10,729</u>
Operating expenses:			
Administration	325,086	393,498	(68,412)
Tenant services	1,936	4,980	(3,044)
Utilities	137,672	137,145	527
Ordinary maintenance and operation	219,241	221,055	(1,814)
General expenses	79,059	71,831	7,228
Extraordinary losses		4,666	(4,666)
Casualty losses	500		500
Housing assistance payments	910,765	684,075	226,690
Depreciation	<u>212,093</u>	<u>215,585</u>	<u>(3,492)</u>
Total operating expenses	<u>1,886,352</u>	<u>1,732,835</u>	<u>153,517</u>
Operating income(loss)	<u>(1,529,892)</u>	<u>(1,387,104)</u>	<u>(142,788)</u>
Non-operating revenue:			
Interest income	1,925	3,208	(1,283)
Other government grants	60,170	79,123	(18,953)
Fraud recovery	616	123	493
Operating grants	1,251,886	1,192,409	59,477
Capital grants	54,120	42,762	11,358
Loss on sale of assets		(882)	882
Other income	<u>55,445</u>	<u>70,482</u>	<u>(15,037)</u>
Total nonoperating revenue	<u>1,424,162</u>	<u>1,387,225</u>	<u>36,937</u>
Prior period adjustments	<u>(157,466)</u>	<u>(8,865)</u>	<u>(148,601)</u>
Change in Net Assets	<u><u>\$ (263,196)</u></u>	<u><u>\$ (8,744)</u></u>	<u><u>\$ (254,452)</u></u>

FINANCIAL STATEMENTS

TRAVERSE CITY HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
June 30, 2004

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ASSETS

Current Assets:

Cash	\$ 241,409
Accounts receivable:	
PHA projects	483
HUD other projects	32,180
Other government	13,174
Miscellaneous	5,292
Tenants	16,174
Allowance for doubtful accounts	(19,965)
Accrued interest receivable	81
Investments-unrestricted	46,848
Prepaid expenses	12,619
Due from other programs	<u>55,448</u>

Total Current Assets 403,743

Restricted cash 27,955

Property, Plant, and Equipment:

Land	297,665
Buildings	5,017,885
Equipment	403,430
Building improvements	<u>191,729</u>
	5,910,709
Less: accumulated depreciation	<u>(3,479,983)</u>

Net Property, Plant, and Equipment 2,430,726

Total Assets \$ 2,862,424

See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2004
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 38,059
Tenant security deposit liability	33,530
Accrued expenses	32,802
Deferred revenues	5,603
Accrued liabilities-other	27,205
Due to other programs	<u>55,448</u>

Total Current Liabilities	192,647
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Noncurrent Liabilities:

Accrued compensated absences	<u>3,723</u>
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Total Liabilities	<u>196,370</u>
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Net Assets:

Invested in capital assets	2,430,726
Unrestricted net assets	<u>235,328</u>

Total Net Assets	<u>2,666,054</u>
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Total Liabilities and Net Assets	<u><u>\$ 2,862,424</u></u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended June 30, 2004
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OPERATING REVENUES:

Dwelling rent	\$ 332,147
Non-dwelling rent	<u>24,313</u>
 Total operating revenues	 <u>356,460</u>

OPERATING EXPENSES:

Administration	325,086
Tenant services	1,936
Utilities	137,672
Ordinary maintenance and operation	219,241
General expenses	79,059
Casualty losses	500
Housing assistance payments	910,765
Depreciation	<u>212,093</u>
 Total operating expenses	 <u>1,886,352</u>

Operating income(loss)	<u>(1,529,892)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	1,925
Other government grants	60,170
Fraud recovery	616
Other income	55,445
Capital grants	54,120
Operating grants	<u>1,251,886</u>

Total nonoperating revenues(expenses)	<u>1,424,162</u>
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Net income(loss)	(105,730)
Prior period adjustments	(157,466)
Net assets, beginning	<u>2,929,250</u>
Net assets, ending	<u>\$ 2,666,054</u>

See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended June 30, 2004

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Cash flows from operating activities:

Operating(loss)	\$(1,529,892)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	212,093
Bad debt expense	11,421
Adjustments	1,474
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable-tenants	(6,757)
Accounts receivable-HUD	(17,231)
Prepaid expenses	3,258
Due from other funds	(12,164)
Increase (decrease) in liabilities:	
Accounts payable-operations	(7,053)
Accrued wage/payroll taxes payable	(352)
Accrued compensated absences	3,866
Accounts payable-PILOT	7,088
Tenant security deposits	1,463
Deferred revenues	3,034
Accrued liabilities-other	10,295
Due to other funds	<u>12,164</u>
Net cash (used in) operating activities	<u>(1,307,293)</u>

**Cash flows from noncapital
financing activities:**

Operating grants	1,261,855
Fraud recovery	616
Other government grants	65,265
Other revenue	<u>55,445</u>
Net cash provided by noncapital financing activities	<u>1,383,181</u>

**Cash flows from capital and related financing
activities:**

Capital grants	54,120
Payments for capital acquisitions	<u>(52,075)</u>
Net cash provided by capital and related financing activities	<u>2,045</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2004
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Cash flows from investing activities:

Certificates of deposits purchased	(57,393)
Receipts of interest and dividends	<u>1,928</u>

Net cash provided by investing activities	<u>(55,465)</u>
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Net increase(decrease) in cash	22,468
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Cash, beginning	<u>218,941</u>
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Cash, ending	<u>\$ 241,409</u>
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Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash and cash equivalents per balance sheet	<u>\$ 241,409</u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Traverse City Housing Commission. The Traverse City Housing Commission is a component unit of the City of Traverse City, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Traverse City on December 30, 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Traverse City Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3084, the Housing Commission constructed, maintains and operates 136 units of subsidized housing in the City of Traverse City, Michigan. Under Contract C-3084, the Housing Commission manages a Housing Choice Voucher program of subsidies for 198 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Traverse City has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings and improvements	10 - 40 years
Equipment	5 - 10 years

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

Compensated absences consist of vacation and sick leave. Employees can accrue up to one-half of the accrued vacation leave and up to twenty-four(24) hours of short-term medical/personal leave.

The amount of accumulated benefits at June 30, 2004, was \$26,220, and is recorded as a liability in the applicable funds.

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

during the year, the Housing Commission's deposits may have been higher than the June 30, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Huntington					
National Bank	\$200,000	\$	\$70,610	\$270,610	\$220,001
Bank One	27,955			27,955	27,955
Northwestern					
Savings Bank	40,593			40,593	40,593
Members Credit Union	27,463			27,463	27,463
Total Deposits	<u>\$296,011</u>	<u>\$</u>	<u>\$70,610</u>	<u>\$366,621</u>	316,012
Petty cash					200
					<u>\$316,212</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					\$241,409
Investments-unrestricted					46,848
Restricted cash					<u>27,955</u>
Total					<u>\$316,212</u>

Restricted cash - Restricted cash is comprised of escrow balances for the Family Self Sufficiency Program(FSS) in the Low Rent and Housing Choice Vouchers Program.

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2004, the receivables were \$16,174 with \$14,673 estimated as uncollectible. Bad debt expense was \$6,068.

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
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NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Accounts Payables - HUD

Amounts due to HUD represents funding due by the Housing Commission for actual expenses for the programs financed. Balances at June 30, 2004 were as follows:

Capital fund Program	\$ 21,509
Housing Choice Vouchers Program	<u>10,671</u>
	<u>\$ 32,180</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$55,448	Housing Choice Voucher Program	\$10,240
		Capital Fund Program	21,509
		CDBG Program	<u>23,699</u>
	<u>\$55,448</u>		<u>\$55,448</u>

The capital fund program transferred \$3,100 to the Low Rent Program during the fiscal year ended June 30, 2004.

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
=====

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>06/30/04</u>
Low Rent Program				
Land	\$ 297,665	\$	\$	\$ 297,665
Buildings	4,946,048		817	4,945,231
Furniture, equip. & machinery - dwellings	100,607			100,607
Furniture, equip. & machinery - administration	278,569		1,227	277,342
Building improvements	<u>190,049</u>			<u>190,049</u>
	5,812,938	<u>\$</u>	<u>\$ (2,044)</u>	5,810,894
Less accumulated depreciation	<u>(3,266,556)</u>	<u>\$ (201,230)</u>	<u>\$</u>	<u>(3,467,786)</u>
Total	<u>\$2,546,382</u>			<u>\$2,343,108</u>
Capital Fund Program				
Construction in progress	\$ 4,278	\$	\$ (4,278)	\$
Buildings	38,484	34,170		72,654
Furniture, equip. & machinery - dwellings		3,906		3,906
Furniture, equip. & machinery - administration		18,642		18,642
Building improvements		<u>1,680</u>		<u>1,680</u>
	42,762	<u>\$ 58,398</u>	<u>\$ (4,278)</u>	96,882
Less accumulated depreciation	<u>(3,207)</u>	<u>\$ (6,057)</u>	<u>\$</u>	<u>(9,264)</u>
Total	<u>\$ 39,555</u>			<u>\$ 87,618</u>

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004
=====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>06/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>06/30/04</u>
Housing Choice Vouchers Program				
Furniture, equip. and machinery-administration	\$ 2,933	\$	\$	\$ 2,933
	2,933	<u>\$</u>	<u>\$</u>	2,933
Less accumulated depreciation	(2,813)			(2,933)
Total	<u>\$ 120</u>			<u>\$</u>

CDBG Program (Madeleine's House)

Land	\$ 85,900	\$	\$ (85,900)	\$
Buildings	92,788		(92,788)	
Furniture, equip. & machinery - administration	<u>3,337</u>	<u></u>	<u>(3,337)</u>	<u></u>
	182,025		<u>\$ (182,025)</u>	
Less accumulated depreciation	(18,398)		<u>\$ 18,398</u>	<u></u>
Total	<u>\$ 163,627</u>			<u>\$</u>

NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$ 2,441,325
Reclassification	<u>(10,599)</u>
Balance, ending	<u>\$ 2,430,726</u>

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

=====

NOTE 6: POST EMPLOYMENT BENEFITS

The Traverse City Housing Commission participates in a Deferred Compensation Plan under section 457 of the Internal Revenue Code of 1986, as amended. The annuity contract is with the Variable Annuity Life Insurance Company (VALIC). New employees may become a Participant on the first day of employment and an employee may become a Participant as of the first day of any calendar month by entering into a Deferred Compensation Agreement with respect to compensation not yet earned. The Housing Commission matched up to 3.0 percent of the employees wage for the fiscal year ended June 30, 2004 and paid \$17,342.37 to VALIC for the employer's portion.

NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 8: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has settled a claim from the former Executive Director and two complaints filed by former employees with the Michigan Department of Civil Rights have been satisfactorily dismissed or resolved. Also, during the fiscal year ended June 30, 2004, the Housing Commission has settled with the Internal Revenue Service for a social security tax liability from prior years.

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE 9: PRIOR PERIOD ADJUSTMENTS

Low Rent Program:

Refund of overpayment for prior year Form 941 taxes. \$ 630

To void prior year checks #26800, 26802 and 26742 529

To reclassify prior year checks from operations to 2002 Capital Fund 315

\$ 1,474

CDBG Program:

To remove fixed assets for the Madeleine House \$158,940

NOTE 10: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains four Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended June 30, 2004, was as follows:

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers	CDBG Program
Operating revenues	\$ 356,460	\$	\$	\$
Operating expenses	723,081	33,388	1,054,486	75,397
Operating (loss)	(366,621)	(33,388)	(1,054,486)	(75,397)
Depreciation	201,230	6,057	120	4,686
Operating grants	163,845	30,431	1,057,610	
Capital grants		54,120		
Operating transfers	3,100	(3,100)		
Other income	55,020		425	
Other government grants				60,170
Net income(loss)	(143,074)	48,063	4,508	(15,227)
Plant, property, and equipment:				
Additions		58,398		
Deletions	(2,044)	(4,278)		(158,940)
Working capital	212,039		13,749	(14,692)
Total assets	2,690,200	109,127	49,923	13,174
Change in net assets	(141,600)	48,063	4,508	(142,461)
Beginning net assets	2,715,432	39,555	15,949	158,314
Ending net assets	2,573,832	87,618	20,457	(15,853)

SUPPLEMENTARY INFORMATION

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
June 30, 2004

=====

C-3084	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 210,266	\$
Accounts receivable-PHA projects		
Accounts receivable-HUD other projects		21,509
Accounts receivable-other government		
Accounts receivable-miscellaneous		
Accounts receivable-tenant	16,174	
Allowance for doubtful accounts	(14,673)	
Accrued interest receivable	81	
Investments-unrestricted	46,848	
Prepaid expenses	12,619	
Due from other programs	<u>55,448</u>	
Total current assets	<u>326,763</u>	<u>21,509</u>

Restricted cash

<u>20,329</u>	
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Property, plant, and equipment:

Land	297,665	
Buildings	4,945,231	72,654
Equipment	377,949	22,548
Building improvements	<u>190,049</u>	<u>1,680</u>
	5,810,894	96,882
Less accumulated depreciation	<u>(3,467,786)</u>	<u>(9,264)</u>

Net property, plant and equipment	<u>2,343,108</u>	<u>87,618</u>
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Total Assets	<u>\$2,690,200</u>	<u>\$ 109,127</u>
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Housing Choice Vouchers 14.871	CDBG Program	Totals
\$ 31,143	\$	\$ 241,409
483		483
10,671		32,180
	13,174	13,174
5,292		5,292
(5,292)		16,174
		(19,965)
		81
		46,848
		12,619
		55,448
<u>42,297</u>	<u>13,174</u>	<u>403,743</u>
<u>7,626</u>		<u>27,955</u>
		297,665
2,933		5,017,885
		403,430
<u>2,933</u>		<u>191,729</u>
(2,933)		5,910,709
		(3,479,983)
		2,430,726
<u>\$ 49,923</u>	<u>\$ 13,174</u>	<u>\$ 2,862,424</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2004
=====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 36,712	\$
Tenant security deposit liability	33,530	
Accrued expenses	19,300	
Deferred revenues	5,603	
Accrued liabilities-other	19,579	
Due to other programs	<u> </u>	<u>21,509</u>
Total current liabilities	114,724	21,509
Noncurrent Liabilities:		
Accrued compensated absences	<u>1,644</u>	<u> </u>
Total liabilities	<u>116,368</u>	<u>21,509</u>
Net Assets:		
Invested in capital assets	2,343,108	87,618
Unrestricted net assets	<u>230,724</u>	<u> </u>
Total net assets	<u>2,573,832</u>	<u>87,618</u>
Total Liabilities and Net Assets	<u>\$2,690,200</u>	<u>\$ 109,127</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	Totals <u> </u>
\$ 1,190	\$ 157	\$ 38,059
9,492	4,010	33,530
7,626		32,802
<u>10,240</u>	<u>23,699</u>	5,603
28,548	27,866	27,205
		<u>55,448</u>
		192,647
<u>918</u>	<u>1,161</u>	<u>3,723</u>
<u>29,466</u>	<u>29,027</u>	<u>196,370</u>
		2,430,726
<u>20,457</u>	(15,853)	<u>235,328</u>
<u>20,457</u>	(15,853)	<u>2,666,054</u>
<u>\$ 49,923</u>	<u>\$ 13,174</u>	<u>\$ 2,862,424</u>

TRAVERSE CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended June 30, 2004
 =====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 332,147	\$
Nondwelling rent	<u>24,313</u>	
Total operating revenues	<u>356,460</u>	
OPERATING EXPENSES:		
Administration	117,347	654
Tenant services	1,936	
Utilities	137,672	
Ordinary maintenance and operation	192,564	26,677
General expenses	71,832	
Casualty losses	500	
Housing assistance payments		
Depreciation	<u>201,230</u>	<u>6,057</u>
Total operating expenses	<u>723,081</u>	<u>33,388</u>
Operating income(loss)	<u>(366,621)</u>	<u>(33,388)</u>
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	3,100	(3,100)
Investment interest income	1,582	
Other government grants		
Fraud recovery		
Other income	55,020	
Capital grants		54,120
Operating grants	<u>163,845</u>	<u>30,431</u>
Total nonoperating revenues (expenses)	<u>223,547</u>	<u>81,451</u>
Net income(loss)	(143,074)	48,063
Prior period adjustments	1,474	
Net assets, beginning	<u>2,715,432</u>	<u>39,555</u>
Net assets, ending	<u>\$2,573,832</u>	<u>\$ 87,618</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program	Totals
\$	\$	\$ 332,147
		<u>24,313</u>
		<u>356,460</u>
137,638	69,447	325,086
		1,936
		137,672
		219,241
5,963	1,264	79,059
		500
910,765		910,765
<u>120</u>	<u>4,686</u>	<u>212,093</u>
<u>1,054,486</u>	<u>75,397</u>	<u>1,886,352</u>
<u>(1,054,486)</u>	<u>(75,397)</u>	<u>(1,529,892)</u>
343		1,925
	60,170	60,170
616		616
425		55,445
		54,120
<u>1,057,610</u>		<u>1,251,886</u>
<u>1,058,994</u>	<u>60,170</u>	<u>1,424,162</u>
4,508	(15,227)	(105,730)
	(158,940)	(157,466)
<u>15,949</u>	<u>158,314</u>	<u>2,929,250</u>
<u>\$ 20,457</u>	<u>\$ (15,853)</u>	<u>\$ 2,666,054</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

=====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from operating activities:		
Operating(loss)	\$(366,621)	\$(33,388)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	201,230	6,057
Bad debt expense	6,129	
Adjustments	1,474	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(6,757)	
Accounts receivable-HUD		(17,231)
Prepaid expenses	1,995	
Due from other funds	(12,164)	
Increase (decrease) in liabilities:		
Accounts payable-operations	(3,700)	
Accrued wage/payroll taxes payable	(3,280)	
Accrued compensated absences	(2,506)	
Accounts payable-PILOT	7,088	
Tenant security deposits	1,463	
Deferred revenues	3,034	
Accrued liabilities-other	6,023	
Due to other funds	<u> </u>	<u>17,231</u>
Net cash (used in) operating activities	<u>(166,592)</u>	<u>(27,331)</u>
 Cash flows from noncapital financing activities:		
Operating transfers in (out)	3,100	(3,100)
Operating grants	202,554	30,431
Fraud recovery		
Other government grants		
Other revenue	<u>55,020</u>	<u> </u>
Net cash provided by noncapital financing activities	<u>260,674</u>	<u>27,331</u>

Housing Choice Vouchers <u>14.871</u>	CDBG <u>Program</u>	<u>Totals</u>
\$(1,054,486)	\$ (75,397)	\$ (1,529,892)
120	4,686	212,093
5,292		11,421
		1,474
		(6,757)
		(17,231)
	1,263	3,258
		(12,164)
(2,825)	(528)	(7,053)
2,283	645	(352)
5,222	1,150	3,866
		7,088
		1,463
		3,034
4,272		10,295
(7,982)	<u>2,915</u>	<u>12,164</u>
<u>(1,048,104)</u>	<u>(65,266)</u>	<u>(1,307,293)</u>
1,028,870		1,261,855
616		616
	65,265	65,265
<u>425</u>		<u>55,445</u>
<u>1,029,911</u>	<u>65,265</u>	<u>1,383,181</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2004

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from capital and related financing activities:		
Capital grants		54,120
Payments for capital acquisitions	<u>2,044</u>	<u>(54,120)</u>
Net cash provided by capital and related financing activities	<u>2,044</u>	
Cash flows from investing activities:		
Certificates of deposits purchased	(53,121)	
Receipts of interest and dividends	<u>1,585</u>	
Net cash provided by investing activities	<u>(51,536)</u>	
Net increase(decrease) in cash	44,590	
Cash, beginning	<u>165,676</u>	
Cash, ending	<u>\$ 210,266</u>	<u>\$</u>

**Reconciliation of cash and cash equivalents per statement of cash
flows to the balance sheet:**

Cash	<u>\$ 210,266</u>	<u>\$</u>
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Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	Totals <u> </u>
<u> </u>	<u> 1</u>	<u> 54,120</u>
<u> </u>	<u> 1</u>	<u>(52,075)</u>
<u> </u>	<u> 1</u>	<u> 2,045</u>
<u>(4,272)</u>	<u> </u>	<u>(57,393)</u>
<u> 343</u>	<u> </u>	<u> 1,928</u>
<u>(3,929)</u>	<u> </u>	<u>(55,465)</u>
<u>(22,122)</u>	<u> </u>	<u> 22,468</u>
<u> 53,265</u>	<u> </u>	<u> 218,941</u>
<u>\$ 31,143</u>	<u>\$ </u>	<u>\$ 241,409</u>
 <u>\$ 31,143</u>	 <u>\$ </u>	 <u>\$ 241,409</u>

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
 Year Ended June 30, 2004
 =====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 163,845
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	84,550
	<u>Low Income Public Housing Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>1,057,610</u>
	Total		<u>\$1,306,005</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TRAVERSE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2004

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 210,266	\$
113	Cash-other restricted	<u>20,329</u>	<u></u>
100	Total cash	<u>230,595</u>	<u></u>
	Receivables:		
121	A/R-PHA projects		
122	A/R-HUD other projects		21,509
124	A/R-other government		
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	16,174	
126.1	Allowance for doubtful accounts - dwelling rents	(14,673)	
129	Accrued interest receivable	<u>81</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>1,582</u>	<u>21,509</u>
	Other Current Assets:		
131	Investments-unrestricted	46,848	
142	Prepaid expenses and other assets	12,619	
144	Interprogram due from	<u>55,448</u>	<u></u>
	Total other current assets	<u>114,915</u>	<u></u>
150	Total current assets	<u>347,092</u>	<u>21,509</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	297,665	
162	Buildings	4,945,231	72,654
163	Furn, equip & mach-dwellings	100,607	3,906
164	Furn, equip & mach-admin.	277,342	18,642
165	Building improvements	190,049	1,680
166	Accumulated depreciation	<u>(3,467,786)</u>	<u>(9,264)</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,343,108</u>	<u>87,618</u>
180	Total noncurrent assets	<u>2,343,108</u>	<u>87,618</u>
190	Total Assets	<u>\$ 2,690,200</u>	<u>\$109,127</u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$ 31,143	\$	\$ 241,409
<u>7,626</u>		<u>27,955</u>
<u>38,769</u>		<u>269,364</u>
483		483
10,671		32,180
	13,174	13,174
5,292		5,292
		16,174
(5,292)		(19,965)
		<u>81</u>
<u>11,154</u>	<u>13,174</u>	<u>47,419</u>
		46,848
		12,619
		<u>55,448</u>
		<u>114,915</u>
<u>49,923</u>	<u>13,174</u>	<u>431,698</u>
		297,665
		5,017,885
2,933		104,513
		298,917
		191,729
(2,933)		(3,479,983)
		<u>2,430,726</u>
		<u>2,430,726</u>
<u>\$ 49,923</u>	<u>\$ 13,174</u>	<u>\$ 2,862,424</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2004
 =====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 15,285	\$
321	Accrued wage/payroll taxes payable	5,799	
322	Accrued compensated absences	13,501	
333	Accounts payable-other government	21,427	
341	Tenant security deposits	33,530	
342	Deferred revenues	5,603	
346	Accrued liabilities-other	19,579	
347	Interprogram due to		<u>21,509</u>
310	Total current liabilities	114,724	21,509
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>1,644</u>	
300	Total liabilities	<u>116,368</u>	<u>21,509</u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,343,108</u>	<u>87,618</u>
508	Total invested in capital assets	2,343,108	87,618
512.1	Unrestricted net assets	<u>230,724</u>	
513	Total Net Assets	<u>2,573,832</u>	<u>87,618</u>
600	Total Liabilities and Net Assets	<u>\$ 2,690,200</u>	<u>\$109,127</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u>Program</u>	<u>Total</u>
\$ 1,190	\$ 157	\$ 16,632
2,870	1,636	10,305
6,622	2,374	22,497
		21,427
		33,530
		5,603
7,626		27,205
<u>10,240</u>	<u>23,699</u>	<u>55,448</u>
28,548	27,866	192,647
<u>918</u>	<u>1,161</u>	<u>3,723</u>
<u>29,466</u>	<u>29,027</u>	<u>196,370</u>
<u> </u>	<u> </u>	<u>2,430,726</u>
		2,430,726
<u>20,457</u>	<u>(15,853)</u>	<u>235,328</u>
<u>20,457</u>	<u>(15,853)</u>	<u>2,666,054</u>
<u>\$ 49,923</u>	<u>\$ 13,174</u>	<u>\$ 2,862,424</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2004

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 332,147	\$
704	Tenant revenue-other	<u>24,313</u>	
705	Total tenant revenue	356,460	
706	HUD PHA grants	163,845	30,431
706.1	Capital grants		54,120
708	Other government grants		
711	Investment income-unrestricted	1,582	
714	Fraud recovery		
715	Other revenue	<u>55,020</u>	
700	Total revenue	<u>576,907</u>	<u>84,551</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	54,066	
912	Auditing fees	1,750	
914	Compensated absences	(2,506)	
915	Employee benefit contributions-adm.	13,099	
916	Other operating-administrative	50,938	654
	Tenant Services:		
924	Tenant services-other	1,936	
	Utilities:		
931	Water	23,419	
932	Electricity	99,997	
933	Gas	14,256	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	108,274	220
942	Ordinary maint & oper-mat'ls & other	6,874	9,070
943	Ordinary maint & oper-contract costs	48,341	17,387
945	Employee benefit contributions	29,075	
	General expenses:		
961	Insurance premiums	38,113	
962	Other general expenses	6,224	
963	Payments in lieu of taxes	21,427	
964	Bad debt - tenant rents	6,068	
966	Bad debt - other		
969	Total operating expenses	<u>521,351</u>	<u>27,331</u>
970	Excess operating revenue over operating expenses	<u>55,556</u>	<u>57,220</u>

Housing Choice Vouchers 14.871	CDBG Program	Total
\$	\$	\$ 332,147
		24,313
		356,460
1,057,610		1,251,886
		54,120
	60,170	60,170
343		1,925
616		616
425		55,445
1,058,994	60,170	1,780,622
85,213	49,477	188,756
1,750		3,500
5,221	1,150	3,865
15,301	12,225	40,625
30,153	6,595	88,340
		1,936
		23,419
		99,997
		14,256
		108,494
		15,944
		65,728
		29,075
	1,264	39,377
671		6,895
		21,427
		6,068
5,292		5,292
143,601	70,711	762,994
915,393	(10,541)	1,017,628

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2004

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
972	Casualty losses	500	
973	Housing assistance payments		
974	Depreciation expense	<u>201,230</u>	<u>6,057</u>
	Total other expenses	<u>201,730</u>	<u>6,057</u>
900	Total expenses	<u>723,081</u>	<u>33,388</u>
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	(146,174)	51,163
	Other Financing Sources (Uses):		
1001	Operating transfers in (out)	<u>3,100</u>	(3,100)
1000	Excess (deficiency) of operating revenue over (under) expenses	(143,074)	48,063
1104	Prior period adjustments	1,474	
1103	Beginning Net Assets	<u>2,715,432</u>	<u>39,555</u>
	Ending Net Assets	<u>\$ 2,573,832</u>	<u>\$ 87,618</u>

Housing Choice Vouchers <u>14,871</u>	CDBG Program <u> </u>	<u>Totals</u>
		500
910,765		910,765
<u>120</u>	<u>4,686</u>	<u>212,093</u>
910,885	4,686	1,123,358
<u>1,054,486</u>	<u>75,397</u>	<u>1,886,352</u>
4,508	(15,227)	(105,730)
<u> </u>	<u> </u>	<u> </u>
4,508	(15,227)	(105,730)
	(158,940)	(157,466)
<u>15,949</u>	<u>158,314</u>	<u>2,929,250</u>
<u>\$ 20,457</u>	<u>\$ (15,853)</u>	<u>\$ 2,666,054</u>

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

We have audited the financial statements of the Traverse City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Traverse City Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated November 3, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Taudette, CPA, PC

November 3, 2004

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

Compliance

We have audited the compliance of the Traverse City Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Traverse City Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated November 3, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Jaudette, CPA, PC

November 3, 2004

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2004
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 163,845	No	O	N/A	N/A
14.872	Capital Fund Program	84,550	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>1,057,610</u>	Yes	O	N/A	N/A
	Total	<u>\$1,306,005</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2004

=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

TRAVERSE CITY HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2004

=====

NONE

TRAVERSE CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 June 30, 2004
 =====

CDBG PROGRAM

<u>Account Name</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
1400.5	Accumulated depreciation	\$ 23,084.15	
2806.1	Prior period adjustment	158,940.35	
1400.6	Land		\$ 85,900.00
1400.7	Buildings		92,787.50
1400.9	Furniture, equip. & mach.		3,337.00

To remove the Madeleine House fixed assets from Traverse City Housing Commission's books, since the deed indicates that the Housing Commission does not own the property.

TRAVERSE CITY HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2004

TRAVERSE CITY HOUSING COMMISSION
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JUNE 30, 2004

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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Traverse City Housing Commission

We have audited the financial statements of the Traverse City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated November 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Samy E. Landell, CPA, PC

November 3, 2004

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Traverse City Housing Commission

We have audited the financial statements of the Traverse City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated November 3, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

November 3, 2004

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2004
=====

Certificate of Deposits

The Housing Commission has several Certificate of Deposits, but there is not a policy in place that requires two signatures to start or cash in a Certificate of Deposit.

We recommend that the Housing Commission adopt a resolution that would require two signatures to open up a certificate of deposit or to cash in a certificate of deposit. This policy would provide another internal control for the safe guarding of assets.

Tenant Deposits

The deposit ticket is reviewed by someone other than the employee that makes the deposit, but is not initialed that it was reviewed.

We recommend that the Housing Commission have the employee that does not make the deposit review the deposit ticket and then after the deposit ticket receipt is brought back, this employee should review that the deposit is the correct amount and also initial the deposit ticket receipt.

Pop Collections

Currently only one employee collects the pop monies.

We recommend that another employee accompany the employee that usually collects the monies.

Computer Back-Up

The Housing Commission has not been storing the computer back-ups in a fire proof safe.

We recommend that the backup disk from the previous night be stored off-site, preferably in a safe deposit box at a bank or stored on site in a fire proof safe.

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)

June 30, 2004

=====

Invoices

The Housing Commission invoices are currently stamped "received date", but not any other markings after approved for payment.

We recommend that the Executive Director stamp the invoices with a "approve or deny" stamp before the Board Commissioner signs the checks. Also, before the check is mailed to the payee, the invoice should be marked with a "paid and date paid" stamp. These markings will prevent an invoice from being paid twice and provide another control on approval.

TRAVERSE CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 June 30, 2004
 =====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
CDBG PROGRAM			
	(1)		
1400.5	Accumulated depreciation	\$ 23,084.15	
2806.1	Prior period adjustment	158,940.35	
1400.6	Land		\$ 85,900.00
1400.7	Buildings		92,787.50
1400.9	Furniture, equip. & mach.		3,337.00

To remove the Madeleine House fixed assets form Traverse City Housing Commission's books, since the deed indicates that the Housing Commission does not own the property.